



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE September 25, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a compilation report on the City of Grand Junction, Iowa, for the year ended June 30, 2014.

The City's receipts totaled \$544,069 for the year ended June 30, 2014. The receipts included \$150,027 from charges for service, \$139,156 of property and other city tax, \$97,102 from capital grants, contributions and restricted interest, \$93,621 from operating grants, contributions and restricted interest, \$63,638 from local option sales tax and \$525 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2014 totaled \$539,881, and included \$326,005 for public works, \$70,047 for culture and recreation and \$63,238 for general government. Also, disbursements for business type activities totaled \$14,123.

A copy of the compilation report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1421-0348-B00F.pdf>.

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CITY OF GRAND JUNCTION
ACCOUNTANT'S COMPILATION REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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City of Grand Junction

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Gerold Herrick	Mayor	Jan 2016
Linda Hoffman	Council Member	Jan 2014
Darren Jackson	Council Member	Jan 2014
Pierre Kellogg	Council Member	Jan 2014
Larry Pote	Council Member	Jan 2016
Alan Robinson	Council Member	Jan 2016
Rita Jenkins	City Clerk	Indefinite
David Morain	Attorney	Indefinite
(After January 2014)		
Gerold Herrick	Mayor	Jan 2016
Larry Pote	Council Member	(Resigned Sep 2014)
Meladee Graven (Appointed Nov 2014)	Council Member	Nov 2015
Alan Robinson	Council Member	Jan 2016
Darren Jackson	Council Member	Jan 2018
Pierre Kellogg	Council Member	Jan 2018
Teresa Lansman	Council Member	Jan 2018
Rita Jenkins	City Clerk	Indefinite
David Morain	Attorney	Indefinite

City of Grand Junction



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Accountant's Compilation Report

To the Honorable Mayor and
Members of the City Council:

Management is responsible for the accompanying basic financial statements, other information and supplementary information listed in the table of contents of the City of Grand Junction, Iowa, as of and for the year ended June 30, 2014, in accordance with the basis of accounting described in Note 1, and for determining this is an acceptable basis of accounting.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the accompanying basic financial statements and we were not required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion or provide any form of assurance on these financial statements.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting standards.

The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement. However, we have not audited or reviewed the information and, accordingly, we do not express an opinion, a conclusion or provide any assurance on such information.

The other information, the City's budgetary comparison information on pages 22 through 24, was subject to our compilation engagement. However, we have not audited or reviewed the information and, accordingly, we do not express an opinion, a conclusion or provide any assurance on it.

We are not independent with respect to the City of Grand Junction.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Grand Junction and other parties to whom the City of Grand Junction may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren G. Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 13, 2015

Basic Financial Statements

City of Grand Junction

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 59,643	2,562	465	-
Public works	326,005	73,273	82,310	-
Health and social services	-	112	-	-
Culture and recreation	70,047	6,950	8,208	6
Community and economic development	163	-	-	-
General government	63,238	4,245	2,638	-
Capital projects	6,662	-	-	97,096
Total governmental activities	525,758	87,142	93,621	97,102
Business type activities:				
Sewer	14,123	62,885	-	-
Total Primary Government	\$ 539,881	\$ 150,027	\$ 93,621	\$ 97,102
Component Unit:				
Grand Junction Fire & Rescue Unit, Inc.	\$ 38,680	24,529	22,191	-
General Receipts:				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted for:				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				
See accompanying accountant's compilation report.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Grand Junction Fire & Rescue Unit, Inc.
(56,616)	-	(56,616)	
(170,422)	-	(170,422)	
112	-	112	
(54,883)	-	(54,883)	
(163)	-	(163)	
(56,355)	-	(56,355)	
90,434	-	90,434	
(247,893)	-	(247,893)	
-	48,762	48,762	
\$ (247,893)	\$ 48,762	(199,131)	
			8,040
139,156	-	139,156	-
63,638	-	63,638	-
525	-	525	1,218
203,319	-	203,319	1,218
(44,574)	48,762	4,188	9,258
383,154	159,071	542,225	146,417
\$ 338,580	207,833	546,413	155,675
124,703	-	124,703	-
99,588	-	99,588	155,675
114,289	207,833	322,122	-
\$ 338,580	207,833	546,413	155,675

City of Grand Junction

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

		Special Revenue	
		Road	
	General	Use	Employee
		Tax	Benefits
Receipts:			
Property tax	\$ 114,059	-	25,097
Local option sales tax	63,638	-	-
Licenses and permits	2,265	-	-
Use of money and property	4,917	-	-
Intergovernmental	6,493	82,279	-
Charges for service	77,590	-	-
Miscellaneous	7,728	-	-
Total receipts	276,690	82,279	25,097
Disbursements:			
Operating:			
Public safety	59,643	-	-
Public works	201,623	115,549	8,833
Culture and recreation	66,499	-	3,548
Community and economic development	163	-	-
General government	59,865	-	3,373
Capital projects	-	-	-
Total disbursements	387,793	115,549	15,754
Excess (deficiency) of receipts over (under) disbursements	(111,103)	(33,270)	9,343
Cash balances beginning of year	260,418	(1,756)	75,465
Cash balances end of year	\$ 149,315	(35,026)	84,808
Cash Basis Fund Balances			
Restricted for:			
Capital projects	\$ -	-	-
Other purposes	-	-	84,808
Unassigned	149,315	(35,026)	-
Total cash basis fund balances	\$ 149,315	(35,026)	84,808

See accompanying accountant's compilation report.

Capital Projects	Nonmajor	Total
-	-	139,156
-	-	63,638
-	-	2,265
-	22	4,939
-	-	88,772
-	-	77,590
97,096	-	104,824
97,096	22	481,184
-	-	59,643
-	-	326,005
-	-	70,047
-	-	163
-	-	63,238
6,662	-	6,662
6,662	-	525,758
90,434	22	(44,574)
34,269	14,758	383,154
124,703	14,780	338,580
124,703	-	124,703
-	14,780	99,588
-	-	114,289
124,703	14,780	338,580

City of Grand Junction

City of Grand Junction

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2014

	<u>Enterprise Sewer</u>
Operating receipts:	
Charges for service	\$ 62,885
Operating disbursements:	
Business type activities	<u>10,282</u>
Excess of operating receipts over operating disbursements	52,603
Non-operating receipts (disbursements):	
Capital outlay	<u>(3,841)</u>
Change in cash balances	48,762
Cash balance beginning of year	<u>159,071</u>
Cash balance end of year	<u><u>\$ 207,833</u></u>
Cash Basis Fund Balances	
Unrestricted	<u><u>\$ 207,833</u></u>

See accompanying accountant's compilation report.

City of Grand Junction
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Grand Junction is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grand Junction has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Grand Junction (the primary government) and a component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

Grand Junction Fire & Rescue Unit, Inc. was organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose of the Unit is to serve and protect life and property in the community and fire district and to provide fire safety education. The Unit is legally separate from the City but is financially accountable to the City, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Excluded Component Unit

Grand Junction Municipal Light and Water (Utilities) is a component unit of the City of Grand Junction and is not presented in these governmental financial statements. It is governed by a five member board of trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utilities is held in the name of the City. A financial benefit/burden exists between the City and Utilities in that the City is authorized by statute to issue general obligation debt for a city utility and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Assessor's Conference Board, Greene County Joint E911 Service Board, Greene County Emergency Management Commission and Greene County Recycling Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefits property tax levy to be used for the payment of employee benefits.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through the Enterprise Fund.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2014 was \$4,296, equal to the required contribution for the year.

(4) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees. There is one active member in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Blue Cross/Blue Shield.

Funding Policy – The contribution requirement of the plan member is established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan member are \$322 for single coverage. Family coverage is not offered. For the year ended June 30, 2014, the City contributed \$3,741 and the plan member eligible for benefits contributed \$0 to the plan.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2014 could not be determined because the City has no formal method of approving and tracking vacation and compensatory time earned by employees.

(6) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$14,991.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or

losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Equipment Lease

On May 16, 2012, the City entered into an operating lease with Reuter's Red Power for a Case tractor and loader. Total lease payments for the year ended June 30, 2014 were \$5,000. The lease agreement does not contain a termination date.

(8) Deficit Balance

The Special Revenue, Road Use Tax Fund had a deficit balance of \$35,026 at June 30, 2014. The deficit will be eliminated by future road use tax collections.

(9) Subsequent Events

In December 2014, the City was awarded a \$220,000 Community Attraction and Tourism grant from the Iowa Economic Development Authority. The award is to be used for the construction of a new community center. The City's share of the project is \$938,736. In June 2015, the City entered into a contract with Jensen Builders for \$1,128,700 for construction of the community center.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and other information.

City of Grand Junction

Other Information

City of Grand Junction
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total
Receipts:			
Property tax	\$ 139,156	-	139,156
Local option sales tax	63,638	-	63,638
Licenses and permits	2,265	-	2,265
Use of money and property	4,939	-	4,939
Intergovernmental	88,772	-	88,772
Charges for service	77,590	62,885	140,475
Miscellaneous	104,824	-	104,824
Total receipts	481,184	62,885	544,069
Disbursements:			
Public safety	59,643	-	59,643
Public works	326,005	-	326,005
Health and social services	-	-	-
Culture and recreation	70,047	-	70,047
Community and economic development	163	-	163
General government	63,238	-	63,238
Capital projects	6,662	-	6,662
Business type activities	-	14,123	14,123
Total disbursements	525,758	14,123	539,881
Excess (deficiency) of receipts over (under) disbursements	(44,574)	48,762	4,188
Balances beginning of year	383,154	159,071	542,225
Balances end of year	\$ 338,580	207,833	546,413

See accompanying accountant's compilation report.

<u>Budgeted Amounts</u> Original and Final	Final to Total Variance
139,127	29
66,846	(3,208)
1,500	765
1,500	3,439
99,500	(10,728)
149,500	(9,025)
-	104,824
457,973	86,096
63,839	4,196
137,400	(188,605)
12,200	12,200
88,150	18,103
9,500	9,337
76,500	13,262
-	(6,662)
70,000	55,877
457,589	(82,292)
384	3,804
499,621	42,604
500,005	46,408

City of Grand Junction

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and capital projects functions.

City of Grand Junction

Supplementary Information

City of Grand Junction

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		
	Drainage	Park Improvements	Total
Receipts:			
Use of money and property	\$ 16	6	22
Disbursements:			
None	-	-	-
Excess of receipts over disbursements	16	6	22
Cash balances beginning of year	10,487	4,271	14,758
Cash balances end of year	\$ 10,503	4,277	14,780
Cash Basis Fund Balances			
Restricted for other purposes	\$ 10,503	4,277	14,780

See accompanying accountant's compilation report.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although multiple individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, preparing checks, signing, mailing and recording.
- (5) Payroll – recordkeeping, preparing, signing and distributing checks.

For the Grand Junction Fire & Rescue Unit, Inc., one person handles and records collections, prepares deposits and prepares, signs and mails checks.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations prepared should be performed and the review should be documented by the initials or signature of the reviewer and the date of the review.

Responses –

City – The City will implement a review process utilizing a City Council member to review monthly reconciliation reports. We will use available staff and City Council members to ensure more than one employee is involved in cash handling, receipts, disbursements, payroll and account posting.

Grand Junction Fire & Rescue Unit, Inc. – The Grand Junction Fire & Rescue Unit, Inc. will list all bills to be paid with amounts and each bill must be approved by majority vote at regular monthly meetings. No vouchers will be issued without proper documentation and majority approval by vote. After approval by vote, a random member will sign and date invoice showing agreement voucher should be issued.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

Conclusions –

City – Response accepted.

Grand Junction Fire & Rescue Unit, Inc. – Response acknowledged. The Grand Junction Fire & Rescue Unit, Inc. should also review its control procedures related to collections and deposits to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the City's checking account and did not include the drainage, development or park improvements accounts. Additionally, the reconciliations were not reviewed by an independent person and the City's fund balances did not reconcile to the bank at June 30, 2014. These items were properly adjusted for reporting purposes.

For the Grand Junction Fire & Rescue Unit, Inc., a book balance is not maintained and is not reconciled to the bank account monthly.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations should include all checking and investment accounts. The reconciliations should agree with the fund and account balances on the Clerk/Treasurer's monthly financial report and should be reviewed by an independent person, with the review being documented by the signature or initials of the reviewer and the date of the review.

The Grand Junction Fire & Rescue Unit, Inc. should maintain a book balance and prepare a monthly reconciliation to the bank account.

Responses –

City – Monthly reconciliations will include all checking and investment accounts. Each account will agree to the fund balances. Monthly financial reports will be reviewed by a Council member.

Grand Junction Fire & Rescue Unit, Inc. – The secretary/treasurer will present a monthly financial statement to be reviewed by members at the regular monthly business meeting. The statement shall include all debts and credits from the previous month's transactions. A vote will be held and documented showing members' approval of the financial statement.

Conclusions –

City – Response accepted.

Grand Junction Fire & Rescue Unit, Inc. – Response acknowledged. The Grand Junction Fire & Rescue Unit, Inc. should ensure the financial statement is reconciled to the bank account monthly.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

- (C) Utilities – The City has an agreement with Grand Junction Municipal Utilities for billing and collection services for the City's garbage, recycling and sewer functions. The City does not have procedures in place to identify what should be collected for garbage, recycling and sewer charges each billing period and to reconcile expected collections to actual collections. This should be done by obtaining billing reports and delinquent account listings from Grand Junction Municipal Utilities each billing period and reconciling collections, billings and delinquent accounts for each billing period.

Recommendation – The City should establish procedures to ensure the proper amount of garbage, recycling and sewer charges are collected, including reconciling billings, collections and delinquent accounts for each billing period.

Response – The City will obtain monthly billing and collection reports from Grand Junction Municipal Utilities in order to better estimate anticipated receipts and actual collections each month, as well as delinquent accounts for each billing period.

Conclusion – Response accepted.

- (D) Financial Reporting – During the compilation, we identified a material amount of receipts and disbursements recorded to incorrect receipt and disbursement accounts in the City's accounting records. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly recorded in the City's financial statements.

Response – The City is implementing a fund balance accounting system using the Uniform Chart of Accounts to better record receipts and disbursements to the proper fund.

Conclusion – Response accepted.

- (E) Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

The City does not have written policies for:

- (1) Requiring separate user names and passwords for individuals with access to the accounting software.
- (2) Requiring the maintenance of password privacy and confidentiality.
- (3) Requiring passwords to be a set length and include special characters.
- (4) Requiring password history to be maintained to prevent employees from reusing the same password.
- (5) Usage of the internet.
- (6) Personal use of computer equipment and software.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

Although the City has adopted a written disaster recovery plan, the plan does not include an inventory of all essential hardware and components and a copy of the plan is not provided to all necessary personnel.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer system. Also, the written disaster recovery plan should include an inventory of all essential hardware and components and a copy of the plan should be provided to all necessary personnel.

Response – The City will adopt a policy for the creation, protection and use of passwords for increased security. We will implement a policy governing the personal use of computers and internet at the City and ensure all employees are provided a copy. We will include our office technology in our disaster recovery plan.

Conclusion – Response accepted.

(F) Policies and Procedures – The City does not have written policies and procedures for the following:

- Accounting policies and procedures.
- Personnel policies, including policies for regular evaluations of employee performance and requirements to maintain confidentiality of sensitive information.

Recommendation – Policies and procedures should be developed and approved by the City Council to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Help preserve the key elements in the City’s internal controls.
- (5) Increase effectiveness and efficiency of City operations.

Response – The City will establish a policy for the training and evaluation of employees. The City will establish a policy to ensure continuity of rules and procedures to all personnel.

Conclusion – Response accepted.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

- (G) City Financial Management Information – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City, including property tax levied for specific purposes and road use tax.

The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments recommended by the City Finance Committee. As a result, totals of receipts by fund and source and disbursements by fund and function were not maintained to facilitate preparation of and to support the Annual Financial Report (AFR). These were resolved and properly classified for compilation purposes.

Monthly financial reports, including fund balances and comparisons of actual results to budget by function, were not compiled from accounting records and provided to the City Council for review and approval.

Recommendation – The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. To provide better financial information and control, the recommended COA, or its equivalent, should be followed. Receipts by fund and source and disbursements by fund and function should be maintained to facilitate preparation of and to support the AFR.

Monthly financial reports provided to the City Council should include fund balances and comparisons of disbursements by function to budgeted disbursements.

Response – The City is implementing fund balance accounting procedures using existing software along with the Uniform Chart of Accounts to aid with a more accurate AFR and monthly financial reports. The City Council will be provided with fund balances and a comparison of budget to actual by function each month.

Conclusion – Response accepted.

- (H) Separately Maintained Accounts – The Park Improvement Committee, Drainage and Development accounts are under the custody and control of the City. However, these accounts are not included with the other City accounts, are not budgeted for and are not included in the City's financial reports. These accounts were properly reported for compilation purposes.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose."

The City should include the Park Improvement Committee, Drainage and Development accounts in the City's ledgers, budget for the accounts and include the accounts in the City's Annual Financial Reports.

Response – The City will include all accounts owned by the City in the ledgers, reports and budgets.

Conclusion – Response accepted.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

- (I) Employee Handbook – The City has adopted an employee handbook which includes policies related to the administration of certain employee benefits. However, the City's practices do not currently follow the policies related to vacation, overtime or compensatory pay.

Recommendation – The City should adopt an employee handbook which accurately describes the practices in place for the administration of employee benefits, including vacation, overtime or compensatory pay.

Response – The City will create an employee handbook outlining duties, responsibilities, benefits, policies and procedures.

Conclusion – Response accepted.

- (J) Debit/Credit Card and Charge Accounts – The City maintains a debit/credit card and charge accounts for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the debit/credit card and charge accounts and to establish procedures for the proper accounting of debit/credit card and charge account charges.

Recommendation – The debit card capabilities of the card should be eliminated. The City should adopt a formal written policy regulating the use of City credit cards and charge accounts. The policy, at a minimum, should address who controls the credit cards and charge accounts, who is authorized to use credit cards and charge accounts and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The City will establish a written policy for the use of the City's credit card and charge accounts including how the cards are handled, authorized users, appropriate uses and what supporting documents need to be supplied.

Conclusion – Response accepted.

- (K) Petty Cash – A petty cash fund is maintained at the library. The City does not have a formal policy regarding proper usage, including allowable and unallowable expenses, approvals and a maximum dollar amount for petty cash disbursements. The petty cash fund included cash and receipts which exceeded the authorized amount. In addition, amounts in the petty cash fund are not verified by surprise counts.

Recommendation – The City should formalize a policy regarding petty cash which establishes proper usage, amounts and procedures for all City departments. The amounts maintained in the petty cash funds should be periodically verified by an independent person performing surprise counts.

Response – Petty cash at the library will be subject to reconciliation and random checks by non-library personnel. Cash needs to be in a locked, secure location with the key not accessible to the public.

Conclusion – Response acknowledged. The City should formalize a policy regarding petty cash which establishes proper usage, amounts and procedures for all City departments.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

- (L) Receipts – An initial listing of receipts is not prepared by the mail opener and prenumbered receipts are not issued for all collections.

Recommendation – An initial listing of receipts should be prepared by the mail opener and prenumbered receipts should be issued at the time of collection to provide additional control over the proper recording of all collections.

Response – We will record monies and receipts daily using a prenumbered system.

Conclusion – Response acknowledged. An initial listing of receipts should be prepared by the mail opener.

- (M) Compensated Absences – Detailed records for vacation, sick leave and compensatory time earned and used by each employee are not maintained.

Recommendation – Detailed records of vacation, sick leave and compensatory time earned and used by each employee should be maintained to account for proper accumulation and use of this time.

Response – We will keep detailed records for vacation, sick leave, compensatory time earned and used for each employee entitled to such benefits.

Conclusion – Response accepted.

- (N) Disbursements – Although determined to be for legitimate purposes, certain disbursements of the City and Grand Junction Fire & Rescue Unit, Inc. were not adequately supported.

Recommendation – All disbursements should be properly supported by invoices or other supporting documentation.

Response – All payments and disbursements will be supported with adequate documentation.

Conclusion – Response accepted.

- (O) Adjustments to Accounting Records – A separate process for the completion and tracking of adjustments made to the accounting records has not been documented. Adjustments made to the accounting records are not identified in a manner to prevent duplication correction. In addition, adjustments were not reviewed and approved by a responsible official.

Recommendation – The City should develop a process for making adjustments to the accounting records. All adjustments should be adequately explained, supported and identified in a manner to prevent duplicate correction. Adjustments should be reviewed and approved by a responsible official with the approval documented by the signature or initials of the reviewer and the date of approval.

Response – Adjustments to accounts will be logged and then approved by an independent official.

Conclusion – Response accepted.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

In addition, the City did not approve the fiscal year 2014 budget by March 15 as required by Chapter 384.16 of the Code of Iowa.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The City should approve the budget as required by Chapter 384.16 of the Code of Iowa.

Response – The yearly budget will be completed and approved by the City Council by the March 15 deadline each year. Budgets will be amended in the correct time frame with proper public notice and will be approved by the City Council.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Meeting Minutes – Certain disbursements were not approved and other disbursements were not approved by the City Council prior to disbursement in accordance with Chapter 372.13(6) of the Code of Iowa. The City does not have a written disbursement approval policy allowing certain bills to be paid prior to City Council approval.

Although minutes of City Council proceedings were published, they did not include a list of all claims allowed, including the payee and the purpose of the claim, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – If the City wishes to continue to allow certain bills to be paid prior to City Council approval, the City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

The City's published minutes should include a list of all claims allowed, including the payee and the purpose of the claim, in accordance with Chapter 372.13(6) of the Code of Iowa.

Response – The City will ensure all disbursements are approved by the City Council and published in accordance with Chapter 372.13(6) of the Code of Iowa.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City will create a written investment policy.

Conclusion – Response accepted.

- (8) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures....". The City prepared the Annual Financial Report for the fiscal year ended June 30, 2014. However, the receipts, disbursements and cash basis fund balances did not agree with the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree with the City's records.

Response – Using the fund accounting system we will ensure the proper allocation of transactions into and out of funds for a more accurate AFR.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance of \$35,026 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The City is working to reallocate disbursements incorrectly charged to the Special Revenue, Road Use Tax Fund to the correct funds.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not receive an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

City of Grand Junction

Schedule of Findings

Year ended June 30, 2014

Response – The City will work with our bank to ensure access to both the front and back of cancelled checks.

Conclusion – Response accepted.

- (11) Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies a tax for payment of costs related to employee benefits. The levied tax should be accounted for in the Special Revenue, Employee Benefits Fund. The City has not established fund accounting to properly account for these receipts and the related allowable disbursements. For fiscal years 2010 through 2014, the City levied the maximum amount available for the employee benefits levy. The Special Revenue, Employee Benefits Fund cash balance is considered excessive at June 30, 2014.

Recommendation – The City should establish procedures to properly account for the employee benefits tax receipts and allowable disbursements. The City should reduce the balance of the Special Revenue, Employee Benefits Fund to a reasonable amount through reductions in future tax askings.

Response – The City has established a fund for employee benefits and will use it in the future for payment of allowable expenses.

Conclusion – Response acknowledged. If necessary, the City should reduce the balance of the Special Revenue, Employee Benefits Fund to a reasonable amount through reductions in future tax askings.

- (12) Street Project – Chapters 26.3 through 26.13 of the Code of Iowa set a competitive bid threshold and requires cities to hold a public hearing and advertise for sealed bids for proposed public improvements which exceed the competitive bid threshold. The City entered into a contract for street repair which exceeded the bid threshold but did not comply with requirements to hold a public hearing or advertise for sealed bids in accordance with the Code of Iowa.

Recommendation – The City should comply with the requirements in Chapters 26.3 through 26.13 of the Code of Iowa for public improvement projects which exceed the competitive bid threshold.

Response – The City will adhere to legal requirements for improvement projects, including bids and public notices.

Conclusion – Response accepted.

City of Grand Junction

Staff

This compilation was performed by:

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A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State